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Chair: Mr. Joël Lightbound



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• (0815)

[*Translation*]

The Chair (Mr. Joël Lightbound (Louis-Hébert, Lib.)): Good afternoon, everyone. I call this meeting to order.

Welcome to meeting number 139 of the House of Commons Standing Committee on Industry and Technology.

Before we get started, I would ask everyone to read the cards on the table for guidelines for the use of earpieces and microphones. The purpose of these directives is to protect the health and safety of everyone, but especially of our interpreters, whom we thank for their work.

Pursuant to the motion adopted on Thursday, September 19, 2024, the committee is resuming its study of credit card practices and regulations in Canada.

I want to welcome and thank the witnesses who are taking part in today's meeting.

We have two representatives from the Competition Bureau Canada. First of all, we have Krista McWhinnie, who is the deputy commissioner of the monopolistic practices directorate. With her is Bradley Callaghan, who is the associate deputy commissioner of the policy, planning and advocacy directorate.

We also have two representatives from the Financial Consumer Agency of Canada. First, we have Frank Lofranco, deputy commissioner, supervision and enforcement branch. He is accompanied by Supriya Syal, deputy commissioner, research, policy and education branch.

Finally, we have two representatives from the Public Interest Advocacy Centre. First of all, we have Geoff White, executive director and general counsel. With him is Aya Alshahwany, who is an articling student.

Welcome.

[*English*]

As you know, you have five minutes for your opening remarks, and then we'll open the floor for a discussion.

Without further ado, I'll start with the Competition Bureau of Canada for five minutes.

Ms. Krista McWhinnie (Deputy Commissioner, Monopolistic Practices Directorate, Competition Bureau Canada): Good morning, Mr. Chair and members of the committee. Thank you for the invitation to appear before you today.

My name is Krista McWhinnie and I'm the deputy commissioner of the monopolistic practices directorate at the Competition Bureau. I'm joined today by my colleague Brad Callaghan, who's the associate deputy commissioner of the bureau's competition promotion branch.

[*Translation*]

The bureau is an independent law enforcement agency that protects and promotes competition for the benefit of Canadian consumers and businesses. We administer and enforce Canada's Competition Act, a law of general application that applies to every sector of the economy. We investigate and address abuses of market power, anti-competitive mergers, price-fixing and deceptive marketing practices. The bureau also advocates for pro-competitive government rules and regulations.

It's important to recognize that we are enforcers of our legislation and advocates for more competitive markets. We are not adjudicators or regulators that set rules for companies. The Competition Act requires us to meet several thresholds and standards when we bring cases before the courts, such as proving that there has been a significant harm to competition.

In the context of your study, the issues most relevant to the bureau's mandate relate to investigating and policing against monopolistic practices and guarding against deceptive practices.

[*English*]

The Competition Bureau has experience analyzing issues related to the Canadian payments sector. For example, in December 2010, the bureau filed an application with the Competition Tribunal under the price maintenance provision of the Competition Act alleging that Visa and Mastercard were imposing restrictive rules on merchants who accept their cards. In the bureau's view, these rules reduced competition among credit card network services, including competition with respect to credit card acceptance fees.

Ultimately, the Competition Tribunal dismissed the application in 2013, finding that it did not meet certain requirements under the price maintenance provision of the Competition Act. That said, the tribunal also carried out an alternative analysis in the event that it was wrong in its legal interpretation, and under this analysis the tribunal found that these rules had raised prices and had an adverse effect on competition.

While the application was dismissed, the tribunal noted the importance of this issue for Canadians. Notably, the tribunal said that even if the bureau had proved its case, the tribunal would not have given an order to remedy the concerns raised by the commissioner's application. Instead, it suggested the issues would be better addressed through regulation. Following that case, Visa and Mastercard submitted separate and voluntary proposals to the Minister of Finance in 2014 to reduce their credit card acceptance fees for a period of five years, and to date, the government has not regulated these fees.

The bureau does not play an active role in commitments from companies to lower fees. We also have no mandate to develop or implement industry codes of conduct. Our role is limited to enforcing the Competition Act should its provisions be engaged and, advocating that any government action be carried out in ways that encourage the most competition.

Before responding to your questions, I will note that the law requires the bureau to conduct its investigations in private and keep confidential the information we have. This obligation may prevent us from discussing certain details of our investigations.

I'd like to again thank the committee for the opportunity to appear today and we look forward to your questions.

• (0820)

The Chair: Thank you very much, Madam McWhinnie.

We will now turn to the Financial Consumer Agency of Canada for five minutes.

[*Translation*]

Dr. Supriya Syal: Thank you, Mr. Chair.

Thank you to the members of the committee for inviting us to testify before you today.

[*English*]

My name is Supriya Syal. I am deputy commissioner of research, policy and education at the Financial Consumer Agency of Canada. I am joined today by Frank Lofranco, deputy commissioner of supervision and enforcement.

We welcome this opportunity to contribute to the committee's study of credit card practices and regulations in Canada.

The FCAC is an independent federal agency that protects the rights and interests of consumers of financial products and services. We carry out our mandate in two principle ways. First, as a strong and effective regulator, we supervise the compliance of federally regulated financial entities, such as banks, with consumer protection measures set out in legislation, public commitments and codes of conduct. Second, the FCAC is responsible for the national financial literacy strategy and works with stakeholders across the country to strengthen the financial literacy of Canadians and to build their financial resilience.

Our work in financial literacy includes collaborating with researchers and academics on behavioural science interventions that support positive financial outcomes, such as saving, budgeting, building financial confidence and managing debt, including from

credit cards. It includes educating Canadians about their rights when dealing with financial institutions and providing consumers with unbiased and authoritative information about financial products and services, including credit cards. It also includes providing free and easy-to-use online tools and calculators that help Canadians make informed decisions, such as a credit card comparison tool and a credit payment calculator.

We conduct research on financial well-being and monitor trends and emerging issues that affect financial consumers. For example, since August 2020, we have been conducting a monthly financial well-being survey to study how Canadians manage their finances, which allows us to track changes in their financial behaviours over time. From this work, we know that in 2019, 27% of Canadians reported that they had to borrow money to pay for day-to-day expenses, and this had increased to 37% in May 2024. We make this information available on an online dashboard at Canada.ca.

The FCAC's policy research and evidence-based analysis on financial consumer protection also supports the Department of Finance's role in developing financial sector policy and legislation.

As to our supervisory role regarding some of the questions on the credit regulations in the committee's study, the FCAC oversees the compliance of federally regulated financial entities with regulations and codes of conduct for issuing and processing credit cards. It is important to note that companies regulated by the provinces and territories also offer credit cards, and these are subject to requirements in those jurisdictions.

By law, federally regulated institutions, such as banks, must provide consumers with information in a manner and using language that is clear, simple and not misleading. This applies to disclosure documents such as application forms and agreements for credit cards. These regulations also stipulate that certain information must be included in monthly credit card statements.

In 2022, the federal government introduced the financial consumer protection framework, which was a milestone for financial consumer protection in Canada. This framework holds banks to a higher standard and requires them to take greater responsibility for consumer outcomes. The framework introduced more than 60 new and enhanced consumer protection measures. Under the framework, banks must provide more information to their customers so they can make informed and timely decisions about their finances, and banks must assess consumers' financial circumstances and offer products and services that are appropriate to consumers' needs.

For credit cards, financial institutions must send electronic alerts automatically when the credit available falls below \$100 or an amount that can be set by the consumer. They must obtain express consent for credit limit increases, and they must assess whether a credit card is appropriate for a given customer's circumstance, including their financial needs. For example, many premium credit cards include a variety of benefits for a higher annual fee, but that may not be appropriate for some consumers.

● (0825)

Finally, the committee should also be aware that the revised code of conduct for the payment card industry was announced last week and will take effect on October 30. As part of its consumer protection mandate, the FCAC will supervise the implementation of this code by major payment card network operators, including Visa Canada, Mastercard Canada and Interac.

Before I conclude, I will mention that November is Financial Literacy Month in Canada, and the FCAC leads this important initiative. Throughout November, as part of a national campaign, we will be sharing information and resources with Canadians and working with organizations from private, public and non-profit sectors to advance financial literacy in Canada.

That concludes my opening remarks, and I look forward to the committee's questions.

The Chair: Thank you very much.

At last I'll yield the floor to the Public Interest Advocacy Centre.

Mr. White, go ahead.

Mr. Geoff White (Executive Director and General Counsel, Public Interest Advocacy Centre): Good morning.

[*Translation*]

Thank you for having us.

I'm sorry, but our opening statement today will be in English. However, we will be able to answer your questions in French.

[*English*]

You know who we are, but I'll tell you quickly about our organization, the Public Interest Advocacy Centre. We're an advocacy group that for decades has fought for better outcomes for consumers and in particular the underdogs in sectors like telecom, energy, transportation and banking.

I take it that this committee received good notice and evidence in your work as parliamentarians about the cost of living and affordability crises that Canadians are in the midst of. When everything gets more expensive and wages don't keep up, debt is one of the drugs that many turn to, and it becomes a vicious never-ending cycle. Credit card debt and credit-card-like debt are the quick hits but have long-lasting consequences.

Earlier this year, a report from the Ivey Business School said that the three pillars of well-being are mental health, physical health and financial well-being. It's good that this committee is looking at a small piece of financial well-being because debt is crushing Canadians. The amount of household debt is getting close to our annual GDP. While this debt problem seems to cut across many demo-

graphics, we're concerned that this is a serious problem for gen Z and Canadians who are more prone, historically, to discrimination. Again, it's good to see this committee taking a serious look at credit cards, and I would like you to focus today on three particular issues.

Our first main point is that credit card consumer protection is a tangled web across the country, and it's not clear—to us, anyway—whether that regime is doing anything to make it better for consumers. While credit cards issued by federally regulated banks are operated under federal regulations—like the financial consumer protection framework, which lives within the Bank Act—credit cards and credit issued by non-federally regulated banks don't afford consumers the same level of protection and rights across the country, as they're subject to various provincial consumer protection acts of varying quality.

We strongly believe there should be a one-stop shop for Canadians when it comes to issues with credit cards or credit-related products, leveraging best practices from the provinces that have found better ways to protect consumers. A good example here is Québec, where there's a debt-level test for people taking on new debt and there are enhanced disclosure requirements. We think the federal government plays an important role in bringing those standards together and in harmonizing them at the best level.

● (0830)

Ms. Aya Alshahwany (Articling Student, Public Interest Advocacy Centre): Our second main point is that consumers need to know a lot more information about their debt and any new debt that they take on. Our fellow panellist, the FCAC, has outlined in their financial literacy strategy key building blocks for empowering consumers in making financial decisions, which include having the skills to navigate the financial marketplace, being knowledgeable and confident, and knowing how to manage expenses, debt and savings.

We simply do not have clear data on how well—or not well—Canadians understand the various credit products and services available to them and the costs and risks associated with the ones they are recommended. The same goes for how well Canadians understand the related rewards programs with their credit cards. At minimum, consumers need to know the risks, costs, hidden costs and cumulative effect of each new debt product they take on and how it will affect their credit score. This is especially important for younger Canadians and newcomers to Canada who are navigating the credit score system for the first time. We do not believe disclosure of this information will solve the problem, but we do believe in making sure consumers have their eyes wide open each time they take on new credit or change their credit services.

Our third point is about credit-card-like products operating outside of credit card consumer protection regulations at the federal level. The biggest example of this is the “buy now, pay later” services offered through online providers or through the major banks. While our neighbours to the south have already begun expanding credit card consumer protections to include these credit-card-like products, the FCAC has done only one small study on the use of these services and how they impact consumers. PIAC would like to see more proactive approaches to expanding regulations to these types of products as well, which are mostly used by and targeted at young and financially vulnerable people.

Another example would be the credit cards and credit products offered by non-federally regulated banks, including those from fintech companies. This is called open banking or consumer-driven banking and is slowly being implemented in Canada with budget 2024's planned consumer-driven banking framework. It is important that the people who use these open banking services are protected. We recommend implementing consistent consumer protection regulations for these products across the country. “Open” should not become a synonym for “unregulated”, because this will only worsen the current credit landscape for Canadians.

Thank you. We welcome your questions.

[Translation]

The Chair: Thank you to all three organizations.

To start the discussion, I give the floor to Mr. Perkins for six minutes.

[English]

Mr. Rick Perkins (South Shore—St. Margarets, CPC): Thank you, Mr. Chair.

Thank you, witnesses.

Thank you, MP Masse, for initiating this study.

My first question is for the Competition Bureau. Have you ever done a study on what appears to be the anti-competitive nature of the interest rates charged by credit cards? Most credit card companies are somewhere around 18% to 19% for a standard credit card. The retailers are all about 28%. It looks like price-fixing to me. Has the Competition Bureau ever looked at that?

Ms. Krista McWhinnie: Under the enforcement role we have, the act doesn't ask us to look at whether prices are too high but at whether conduct like price-fixing, as you said, is driving higher

prices and whether that is an abuse of dominance or some other form of anti-competitive agreement other than a cartel. We have done advocacy work in the financial sector space, but not specifically looking at the question of high interest rates charged to Canadians.

Mr. Rick Perkins: It's not so much the high interest rates, although they appear to be usury. From my time working at a bank, I have a pretty good idea of what the return on equity of the credit card business is. It's massive. The loan losses, as the Bankers Association admitted here, are modest, at 1.6%, so their claim that they need high rates to cover their loan losses is, frankly, false.

When I see every competitor charging the same rate, it strikes me that somebody should be investigating it to see why we don't have more competitive rate pricing since, to the decimal point, it's the same interest rate.

• (0835)

Ms. Krista McWhinnie: Given the importance of this issue, if there was any evidence that it was being driven by agreements between competitors or other conduct captured under the act, that would be a real concern for us. We would be doing an in-depth investigation into it.

We do have strengthened abilities to conduct market studies now as a result of the recent amendments. Going forward, when we do studies looking at the overall level of competition in a market, we will be empowered with better tools to do that.

Mr. Rick Perkins: There's a reason it's such a concern, contrary to what the Bankers Association has said. Its self-serving internal survey said that 71% of people pay off their balances, but the Bank of Canada, which has done many studies on this, has shown that it's about 46%. According to its most recent study, the per cent of people who carry a balance is growing. When you're charging almost 30%, as most retailers are—and that's another issue that needs to be looked at, because 30% interest is loansharking, in my view—you're preying on the most vulnerable people, who get trapped in a loop.

Bankers bragged at committee that there are other debt alternatives, that you could move your debt over to a lower rate line of credit. I will ask the Public Interest Advocacy Centre about that issue, because it looks to me like credit cards are a great business development tool for banks to move people to lines of credit while not pulling away their credit card. They'll zero-balance their credit card and move it over to a line of credit, and now they have free room to grow their credit again. Is that what's happening?

Mr. Geoff White: Thank you for the opportunity to speak to this briefly.

That is our understanding of what's happening. When we think about competition—and the test is always whether competition is sufficient to protect the best interests of users—it's clearly not working right now because consumers are taking on layer upon layer of debt. The bureau has the power to study it. I think the question is, are they studying it? I'd love an answer to that question.

To counter some of the Canadian Bankers Association data, I'm going to quote from an Ivey Business School report from earlier this year. This is Ivey, with a foreword by former Bank of Canada governor Stephen Poloz. These aren't his words but the report's words:

Amid national economic headwinds, recent reports suggest that consumer debt and credit card spending is at an all-time high. One report—

This is from the CEIC, which does macroeconomic data around the world.

—suggests that over half of Canadians were \$200 (or less) away from being insolvent, despite Canada's distinction of having some of the most financially literate consumers in the world.

That brings out the issue of literacy and disclosure. You can have many pieces of paper attached to a credit card loan, but if you're a University of Ottawa student walking through campus, where credit card companies are loading students up with debt—which, by the way, is going to be illegal in the U.S.—it is piling on. There is a revolving door of going from one credit product to the next to try to pay off one with the other. There's no real “know your client” rule being enforced to make sure that a student at the University of Ottawa can actually handle the debt and that it's not one of four different instruments this poor student is taking on.

Mr. Rick Perkins: The banks said they'd like to know their customers—except when it comes to credit cards.

Mr. White, maybe I can ask the Competition Bureau that question. Are you going to do a study on what appears to be the fixed pricing of credit cards? Banks seem to be colluding on anti-competitive behaviour, setting the same price for their basic credit cards. It's the same for retailers.

Ms. Krista McWhinnie: My colleague Mr. Callaghan can respond to that question.

Mr. Bradley Callaghan (Associate Deputy Commissioner, Policy, Planning and Advocacy Directorate, Competition Bureau Canada): There are two aspects to the question. One is about the enforcement track of what the bureau does, and then there's what we do on a competition promotion track. What we do in market studies is under our competition promotion mandate. That looks at how competition is working in industries as a whole, and the goal there is to make recommendations to government about how we can try to improve competition. If the question is about whether there may be anti-competitive conduct happening on the part of businesses, that falls more under our enforcement mandate. As my colleague said, that always turns on the facts of the situation.

In terms of allegations about collusion, it really boils down to whether there are agreements among the companies that are leading to those outcomes, not necessarily that there is the same price. It always depends on the facts.

• (0840)

[*Translation*]

The Chair: Thank you.

Mr. Gaheer, the floor is yours.

[*English*]

Mr. Iqwinder Gaheer (Mississauga—Malton, Lib.): Thank you, Chair.

Thank you, witnesses, for your valuable testimony.

My questions are largely for the Competition Bureau.

In the last meeting, we discussed that in the EU, interchange rates are capped at 0.3% for consumer credit cards. In Australia, it's 0.5% of the transaction value—it's a weighted average. The U.S. does not regulate credit card interchange fees. Our government was able to negotiate a reduction in interchange fees for small businesses that have a credit card volume of less than \$300,000 for Visa, for example.

Why do we in North America do it differently from Australia or the EU? Why can't we just regulate across the board? Is there something in place that prevents that?

Mr. Bradley Callaghan: I apologize, Mr. Gaheer. There were some interruptions in the connection, but if I understand the gist of the question, it's about why Canada may approach interchange fees from a certain perspective when regulating or not, compared to other countries that regulate.

What I can say is about the mandate of the bureau. We enforce the Competition Act. That is the enforcement part of our mandate—how companies are behaving in the marketplace—and we try to promote competition.

We are not a policy-maker that would make decisions about whether regulation is appropriate. We do have a general perspective on that matter, which is that, wherever possible, market forces should be allowed to work, because we think that is how competition can work to its fullest. That's not to say there are never opportunities where regulation may be required. Markets do fail, and in those situations, what we always recommend is that it be minimally intrusive and address the policy problem at hand but still allow competition to work as much as possible.

I recognize that there are other approaches taken in other countries. It's just not something the bureau leads on from our mandate.

Mr. Iqwinder Gaheer: I'm wondering if the bureau has any line of sight on why interchange fees in Australia are capped at 0.5%, with an individual average of 0.8%, and why in Canada the average is 1.4%. Do you have a line of sight as to why that difference is there?

Mr. Bradley Callaghan: We don't have a direct line of sight as to the decision-making of another government. We are aware that Australia has taken a different approach to regulating interchange fees, but we're not best placed to say why they would have chosen that perspective as opposed to leaving it open to a more free market competition.

Mr. Iqwinder Gaheer: What action has the bureau taken to foster competition in this market for credit card services? Obviously it's a very limited market. Not just in Canada but internationally, there are only a few big players in this space. What can the bureau do in its capacity to regulate, and what has the bureau done?

Ms. Krista McWhinnie: The key thing we have done is take a case all the way to the Competition Tribunal to try to deal with the rules in place with merchants that we viewed as driving these prices higher and having an adverse effect on competition in the market.

As I said in my opening, unfortunately we were not successful before the Competition Tribunal in that case, but they did recognize the problem. They did recognize that some of the merchant rules at issue in that case had an upward influence on interchange fees and other card acceptance fees, but importantly, in their decision, they said that even if we had won the case, they would not have issued an order. They would not have decided to remedy the issue under the Competition Act because the Competition Tribunal viewed regulation as the more appropriate fix to the issue.

• (0845)

Mr. Iqwinder Gaheer: Is that why the bureau did not appeal the tribunal's decision?

Ms. Krista McWhinnie: Due to the reasons we lost, we decided not to appeal the decision.

Mr. Iqwinder Gaheer: Is the Competition Bureau currently investigating credit card rules or other practices in relation to the Competition Act?

Ms. Krista McWhinnie: I don't have anything I can share publicly on ongoing investigations. If the question is whether we have an ongoing enforcement investigation into these practices, that's not something I can share due to confidentiality provisions.

The Chair: Thank you very much, MP Gaheer.

[Translation]

I now give the floor to Mr. Garon for six minutes.

Mr. Jean-Denis Garon (Mirabel, BQ): Thank you, Mr. Chair.

I'd like to thank all our witnesses for being with us today.

I'll start with you, Mr. White.

I must admit I'm a bit tired of hearing the Liberals say, as Mr. Gaheer just did, that the government negotiated agreements with credit card companies to lower interchange fees, as if the Liberal government cared in any way about the interchange fees paid by Canadians.

Mr. White, I would like you to tell me if I fully grasp what happened with interchange fees.

As I understand it, the government has never negotiated for a single minute with the credit card companies. It has only threatened to regulate them. Also, I think it's a lie to characterize what happened between Mastercard, Visa and the government as agreements. I think it's more of an expectation on the part of the government. The government made a threat, and Visa and Mastercard made a temporary offer over five years. The government backed down, and we ended up with temporary agreements with no regulations and no real permanent progress for Canadians who are paying these hidden fees.

Am I correct in saying that the government has not negotiated, that the agreements are not permanent and that the problem has not been resolved in the long term?

Mr. Geoff White: Thank you for your question. I understood it.

[English]

I will answer in English, if that's all right.

We're not too involved in this issue of interchange fees. That is largely a commercial fight between merchants and credit card platforms. It is significant in the sense that if the merchants are paying high fees, they will naturally need to pass them on to consumers.

This is a legislative problem at this point, and our fellow panelists, the Competition Bureau and the Financial Consumer Agency, have their roles to play. However, while action needs to be taken at the federal level to do something about interchange fees, it's interest rates that are killing Canadians. It's interest rates that are putting Canadian households and families on the brink. That's the real issue.

[Translation]

Mr. Jean-Denis Garon: I understand what you're saying, Mr. White. I'll stop there, not because I'm not interested in the answer, but because I really want to focus on the nature of these agreements.

I will turn to the representatives of the Financial Consumer Agency of Canada.

Ms. Syal, the document you sent us states that your role is to supervise federally regulated financial institutions and improve Canadians' financial literacy.

As I understand it, there are no agreements between Ottawa and the credit card companies. Instead, the credit card companies proposed temporary reductions in interchange fees to their customers. This not a sustainable solution. Your agency is not responsible for enforcing these so-called agreements. Have I understood the situation correctly?

[English]

Mr. Supriya Syal: Thank you for the question. I'll let my colleague respond to it.

[Translation]

Mr. Frank Lofranco (Deputy Commissioner, Supervision and Enforcement, Financial Consumer Agency of Canada): Thank you for the question. I will answer in English, if I may.

[English]

To be clear, our mandate does not provide us with a role in the approval of interchange fees or rates—or interest rates, for that matter. Our role is to supervise compliance with legislation, regulations, codes of conduct and public commitments, the entirety of which—

- (0850)

[Translation]

Mr. Jean-Denis Garon: That's excellent. That answers my question.

We are told that there are agreements. However, since the Government of Canada has not negotiated with the credit card companies and there are no so-called agreements, despite the government's deceitful claims to the contrary, you have no role in enforcing them. I understand that.

I'm going to ask the representatives of the Competition Bureau Canada the following question.

Representatives of credit card companies came here this week and said that, if interchange were regulated, as the Competition Tribunal suggested, it would be a disaster for the banking system.

I checked what was being done in English-speaking countries that have credit cards similar to those in Canada. Here is what I found. Since 2003, the Australian government has had caps on interchange fees. Recently, in 2022, New Zealand introduced a regulatory and legislative cap on interchange fees. In the U.K., after Brexit, they kept the European rules, which cap credit card interchange fees as well as debit card fees. My Liberal colleagues alluded to the United States, where, in 2011, the Federal Reserve strongly suggested that these fees be capped.

Can you confirm that it would be possible for the federal government to impose regulations capping interchange fees without wreaking havoc on the Canadian banking system and that this could be a good solution to excessively high interchange fees?

Mr. Bradley Callaghan: Thank you for the question. If I may, I will answer in English.

[English]

We do not have a position, owing to our role as the enforcer of the Competition Act, as to the effectiveness of that kind of regime. It's not something we have studied in depth. That's not to say that we have not looked at issues in the financial sector, as my colleague has said. Where there has been a need for enforcement, we've brought up those cases and brought out our mandate in that way.

We have also continued to monitor these issues, and as developments have happened in the system—for example, with the code of

conduct on credit cards—we have made submissions to Finance Canada on how competition can work to its fullest. However, that is where our role ends.

We have not done a deep study that evaluates the effectiveness of those different approaches across other jurisdictions. If we did, our role would be about competition and the effectiveness of competition in Canada.

[Translation]

The Chair: Thank you.

Thank you, Mr. Garon.

Mr. Masse, you have the floor.

[English]

Mr. Brian Masse (Windsor West, NDP): Thank you, Mr. Chair.

If you hear a little ping, I've had tech issues and I can't turn it off. Until I can get that rectified, I apologize.

One of the reasons I was interested in this subject matter is the interest rates of some of the borrowing options Canadians have. They would make Tony Soprano blush. I come from a place where we had rum-running, and the rates being offered to consumers on the open market seem similar to those of the underworld. It's become terrible for consumers getting out of debt.

You have retail options of 30% to 40% in Canada, with practices to get people to walk in the door and buy furniture or make other purchases, seducing them with 0% on the surface. They all seem to have similar numbers with regard to what's being offered. Then, if you don't pay that back within a year, you're stuck with all of the interest compounded on top.

I represent constituents who, while making those purchases, were upsold by a store's strategic decisions to get people to borrow at that time. Then they've had their employment change or have lost their job. Some have had their spouses or family members get cancer or something else, and they no longer have the income they had when they signed on to those loans.

I think our current system is antiquated. It's predatory towards working class people in particular.

I asked a question of the CEOs who were here about people carrying personal credit card debt. They didn't answer fully, in my opinion, and that's fine, because I'm not going to press for personal information if they don't want to offer it, but I submit that most of the people paying month by month are the most poor and vulnerable in our society.

With that, I want to start with a question for the Competition Bureau. If you go on the website of the Competition Tribunal and read who's on there, it reminds me of a modern day Knights Templar. It is basically professors, corporate CEOs and consulting firms. It's one of the reasons I have reservations, as I think other members of the committee do, at least on the opposition side, about creating a tribunal for the Privacy Commissioner. We're seeing once again this head rear itself.

If you believe, as I believe, in more independence at the Competition Bureau—and this is not about a particular case—do we need to look at legislative changes for the Competition Tribunal to allow that? You referenced one study that took place, but I want to know whether we can, through regulatory reform, empower the Competition Bureau more or whether we need full legislative changes.

It's not a political question. It's just a practical one about where I stand and who I represent, as I believe in a system that's different from the one we have in place right now.

• (0855)

Ms. Krista McWhinnie: I want to start by being very clear that the Competition Bureau is independent from the Competition Tribunal. We take our independence extremely seriously, so I echo what you said in your question about the importance of independence.

I can't comment on—

[Translation]

Mr. Jean-Denis Garon: Mr. Chair, I have a point of order.

There's a problem with the French interpretation.

The Chair: Okay.

[English]

I'll speak in English. Mr. Garon, let me know if the issue is resolved.

[Translation]

Mr. Jean-Denis Garon: Mr. Chair, your comments have just been interpreted brilliantly.

The Chair: That's wonderful. Thank you, Mr. Garon.

Mr. Masse, you may continue.

[English]

Mr. Brian Masse: Thank you.

Ms. Krista McWhinnie: As I was saying, I can't comment on the makeup of the tribunal.

On the question of whether we need additional legislative change, as this committee knows, we have just undergone significant amendments to the Competition Act, which we view as a very positive and meaningful change to better allow us to do our jobs to protect competition and Canadians. We are not aware of other consultations under way for further changes, but if we were asked to provide advice, we would. Our role is not to provide suggestions on amendments but to enforce the Competition Act as it stands now.

Mr. Brian Masse: Thank you for that. We will probably seek advice from our researchers and analysts later on because it's something I'm interested in.

I want to go to the FCAC. I've been on your website, and I understand there are some working tools there. My concern, quite frankly, is that the constituents I represent—and I used to be an employment specialist for persons with disabilities—may be unlike the target market of people you are trying to get information for. This may not be appropriate for them.

I don't know of any time that I've received in my mailbox or through outreach in the community anything from your organization. Am I not seeing it? Is it not on the ground? Are you not mandated to do things up front? I think you should be in shopping malls. You should be on the streets. You should be in schools. You should do all those things, so am I missing any of this?

A website and electronic communication do not target the market we need to deal with. We're dealing with seniors, persons with disabilities and people with English as a second language. Those are the areas where we find gaps in financial literacy and protection for consumers. Please share with us what you are doing on any of those things and what could be done better.

• (0900)

Dr. Supriya Syal: I'll answer in two parts. Vis-à-vis our website, we do receive 650,000 visits annually, and the feedback we receive from stakeholders is that the content provided there is quite useful. There has been a significant uptick in the last year on the use of credit card tools, for instance. At the same time, your point is well taken in that we are one organization and, candidly, will not be able to reach the 30 million people in Canada.

Mr. Brian Masse: I'm sorry to cut you off. I'm shocked that there are only 650,000 inquiries on your website. That's a poor number when you consider the number of people who have credit cards, the amount of time they use them, the amount of advice they need and the volume of products. That tells me it's a failing system. Quite frankly, that's what I feel. That's not a lot of people for an object in their wallet or on their iPhone that they use on a regular basis and for the number of products that are out there.

Is it that you're not funded to get out in front of the public, or has it always been the tradition to be available online? If someone doesn't have a computer or doesn't have access to any of those things, you're useless with regard to those people because they can't get to you. Especially with the cost of Internet, rising prices and so forth, you're diminishing your capabilities. What needs to be done for you to be out in the public among the people you need to get to?

Dr. Supriya Syal: Our national financial literacy strategy lays out an approach that is very much about collective responsibility. It speaks to how the financial ecosystem is composed of regulators and governments, but also of financial service providers, community partners, community stakeholder organizations, researchers and academics. They all have a role to play in helping financial consumers achieve positive financial outcomes and build financial resilience.

To answer your question, we are working under the aegis of the strategy, with over 30 partner organizations currently, on specific pieces associated with it, and they're driving outcomes, including managing debt.

Mr. Brian Masse: I'm sorry to cut you off. I need to go quickly.

I don't mean to be disrespectful. You're doing what you can within the confines of what you're doing, but I don't need researchers or academics anymore. I need people on the ground floor helping people with their debt problems in places where they can be reached. Academics and researchers are part of the tribunal; they're part of all the decision-making for everything. They're the last people I need to help on this.

Do I have any more time, Mr. Chair?

The Chair: You're three minutes over, Mr. Masse. Given that it's your study, you have credit on time here.

I'll take a minute to echo what you were saying, Mr. Masse, and ask a question of the Financial Consumer Agency.

I noticed that a lot of young people now turn to Reddit and other such platforms to seek advice and information on their credit and finances. Are you on Reddit or other such platforms, and is that part of the plan to reach younger Canadians?

Dr. Supriya Syal: Yes, we are tracking where people are going, and we're trying our best to be available in those places. We've also done national advertising campaigns over the last couple years.

During Financial Literacy Month, which is November, we work with stakeholder organizations across the country to proliferate the messages linked to financial literacy. Particularly because of the debt burden that Canadians have been facing in the last few years, we have targeted many of these efforts towards speaking to Canadians about debt and providing them with resources that may help them manage that debt better.

There's traditional radio. There are other forms of audio. There's social media, digital display and search engine marketing. All of these are channels we're trying to use to get to Canadians. There are also on-the-ground programs being executed by many of our partners on the ground.

• (0905)

The Chair: Thank you.

Madam Rempel Garner, go ahead.

Hon. Michelle Rempel Garner (Calgary Nose Hill, CPC): What I'm looking for advice on this morning is a potential area of study within this study. I'm not sure we've scoped it out as a committee, but it could be very impactful for recommendations.

A Globe and Mail article this week talked about payment processors. It dealt with one payment processor specifically, Stripe, Inc., and said, "Payment processor Stripe, Inc. says it won't reduce merchant fees on its standard plans despite Ottawa's recent deals with Visa and Mastercard that sought to lower transaction costs."

My understanding is that you have your credit card issuers, you have your banks and merchants, and you have payment processing companies like Moneris, Stripe and Square. These payment processors are facilitating online transactions, but they're also charging fees and passing interchange fees along to merchants.

This article was saying that even if the government negotiates with Visa and Mastercard a right for small business, payment processors like Stripe could either change their fees or not pass savings along. Essentially, they would go to them as opposed to the merchant. Would that be an adequate assessment of the situation?

I'll start with the Competition Bureau. Have you looked at the competitive practices of payment processors? Perhaps you can give us some advice as to whether the committee should be looking at this issue in the scope of the study.

Ms. Krista McWhinnie: Thank you for the question. It's a good question.

In the case we brought before the Competition Tribunal, there is a detailed analysis of the various layers and where the fees come in. The main concern there was with the rules the credit card networks had in place. They were, we said, inflating merchant acceptance fees overall, because things like the no-surcharge rule reduced the ability for merchants to constrain those fees, which is what you'd expect in a properly competitive market. If prices are going up, they have an ability to constrain. Rules like that were getting in the way.

In our enforcement work, I'm not aware of specific concerns related to anti-competitive behaviour happening at the processor level. Also, as I said, it was the network operators at issue in our case.

It's a good question to try to separate between them.

Hon. Michelle Rempel Garner: If the government has worked out a deal that could benefit small businesses and it isn't dealt with at the processing level, depending on how much a certain merchant uses a certain processor, it might not have a net effect. Is that right? Then there might need to be additional regulations on top of that.

I try to look for recommendations. Down the table, do you think this issue is something the committee should be looking at within the scope of its study?

Mr. Geoff White: It is one of the issues the committee should be looking at, but I stress that the main issue hurting Canadians is interest rates. It's the layering of debt instruments on top of other debt instruments. We're gorging ourselves at a buffet of credit. That's the problem. I know the criminal interest rate is coming down, but it's still usury, to use Mr. Perkins's term. It's still allowing a lot of crippling penalties. With payday loans, it's \$17 per \$100, so the answer to your question is yes.

• (0910)

Hon. Michelle Rempel Garner: I totally understand that, and I agree with you. I just just want to focus on this issue with my time.

I'll look to Ms. Syal and Mr. Lofranco. Could the committee make a recommendation that there be greater transparency, perhaps by transaction, on the types of layered fees presented to either consumers or merchants in a statement, with standardized nomenclature used between payment processors, credit card issuers, etc.?

Mr. Frank Lofranco: I think it would help the committee to understand our role in this space. That might help with your deliberations moving forward.

We have a critical role to play with respect to the protection of consumers and the protection of merchants. In the world of payment networks, we supervise compliance with the code. The code has many provisions that represent market conduct obligations. Our supervision is direct to the payment card network operators. Those payment card network operators have an obligation to ensure proper market conduct practices downstream, as we call it.

Hon. Michelle Rempel Garner: Then it would be fair to say you're not best positioned right now to answer that question, but perhaps we should get other people in front of the committee to look at that type of recommendation.

Mr. Frank Lofranco: It would always help to have additional consideration. However, from our perspective, when we see an issue like this, we do engage. We engage with the respective market payment card network operator, which I believe in this case may be Mastercard, to ensure that any provisions within the code are adhered to. When they're not, we have the authority to act from a supervisory and enforcement perspective.

Hon. Michelle Rempel Garner: Just for colleagues, in a really non-partisan way, I would direct them to look at the Canadian Federation of Independent Business. It issued a table after the government's announcement about reducing credit card fees, and it has a list of all of the payment processors that says whether they committed to not increasing fees while trying to keep profits similar or greater. The number of them that did not respond to the request or whose response was unclear—and I read through the responses—is pretty stark.

Mr. Chair, I would note—and for the analysts—that this is something we might want to delve into. It's not criticizing the efficacy of the government's announcement. It's saying that if the government has done this and the intent is for merchants to realize the benefits of lowered fees, then this extra layer also needs to be considered if the savings are not, in fact, being passed along.

The Chair: Thank you, MP Rempel Garner. That is a very interesting point that I think committee members will agree should be on our radar in the course of this study.

Mr. Van Bynen, the floor is yours for five minutes.

Mr. Tony Van Bynen (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

I received information from the Library of Parliament that tells me Visa represents 58% of credit card transactions and Mastercard is 38%. That's 96% of transactions concentrated in the hands of two organizations. My concern is about that concentration of power, which we've seen in telecom and in a number of other areas.

Do you believe that the credit card industry exercises undue power within the market? That question is for the Competition Bureau.

Ms. Krista McWhinnie: There's no doubt this is a concentrated market. As you said, there are only a couple of major players with very high market share. When we look at market power under the Competition Act, high market share isn't always determinative of market power, so we also look at barriers to entry, which are, again, high in this area.

There was a detailed analysis of the market power of Visa and Mastercard in the case we brought before the Competition Tribunal. Importantly, there was a finding that both of them held a dominant position at the time. That was quite a number of years ago, but I'd question whether circumstances have changed that.

Under the Competition Act, when we look at things like abuse of dominance, the question we're tasked with under the act is not whether competition is high enough or whether the market is too concentrated, but whether there's bad conduct going on that's making it worse. We're always asked to do a relative assessment: But for the allegations of anti-competitive conduct, what would the market look like and is it substantially more competitive? However, we don't have a role under the act to look at whether concentration is too high.

• (0915)

Mr. Tony Van Bynen: Can you forward that analysis to this committee for review?

Ms. Krista McWhinnie: Yes, I'd be happy to.

Mr. Tony Van Bynen: Thank you.

What can we do to make the financial transactions market more competitive, and are there examples of successes in other countries that we can learn from? Again, this is for the Competition Bureau.

Mr. Bradley Callaghan: Perhaps the best, most relevant deep dive we have done on this topic goes back to the Competition Bureau's fintech market study. It's some years ago now. I believe 2017 was the publishing of our report. Only a portion of it was focused on payment markets, including credit cards, but a number of recommendations in it are centred on improving competition in this space.

It focuses on how innovative new entrants can, hopefully, have an impact and focuses on recommendations to try to make sure that competition can work to its fullest, knowing that innovations are starting to come online. That includes trying to keep markets as open as possible and, if rules and regulations are being set in these industries, trying to make sure they are agnostic to the devices coming online, are flexible and are reviewed periodically. Then we can make sure that the barriers to entry, which my colleague mentioned, are as low as possible and that new innovations can bring competition to the market.

Mr. Tony Van Bynen: Another industry, the telecom industry, is subject to some concentration that's based on the technology and the cost of that technology. The CRTC has been influencing pricing and has also directed that this technology be made available to other retail suppliers. Is that the type of thing that could or should apply to this industry?

Mr. Bradley Callaghan: That is a question we would want to study in a lot of detail before we comment on it. If I'm thinking of the same situation the member mentioned in the telecom space about mobile virtual network operators, the bureau did have a comment. It was very nuanced, and it was made after looking at a fair amount of evidence before the CRTC.

As I mentioned earlier, it's not something we have looked at in enough detail to make a recommendation on. Again, to remind you of our mandate, we're really not a policy lead on what the ideal regulatory response would be, if any. It's about trying to make recommendations to the policy-makers making those decisions to ensure that competition can work as fully as possible.

Mr. Tony Van Bynen: Thank you.

I think I'm over my time, Mr. Chair.

[Translation]

The Chair: That is indeed the case. Thank you, Mr. Van Bynen.

Mr. Garon, you have the floor for two and a half minutes.

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

I'm going to turn to Ms. Syal and her colleague from the Financial Consumer Agency of Canada.

Professor Syal, I want to hear from you because I know you're a behavioural scientist. I get the feeling that credit card companies, in their marketing and in their way of misleading Canadians and Quebecers, are exploiting all the vulnerabilities of the human brain by making people believe they can buy all kinds of things for immediate gratification. They certainly don't advertise all the costs resulting from credit card purchases. We had an example of this at committee last Monday, when representatives of Mastercard Canada actually came to tell us that the reward programs offered by credit

card companies and banks were in no way paid for by consumers, either directly or indirectly.

I have a two-part question for you. You'll have a minute or a minute and a half to answer it.

First, do you think the credit card companies are doing enough to properly inform consumers of the costs associated with their products?

Second, do you think measures should be taken to ensure that credit cards divulge their fees differently? Perhaps through regulations, we could ensure that, when a purchase is made using a credit card, the bill indicates all the related hidden costs, including interchange fees and transaction fees. Do you think this would help Canadians and Quebecers make better financial decisions when using credit cards?

• (0920)

Dr. Supriya Syal: Thank you for the question.

[English]

Based on our studies, we provide information that is relevant to consumers on the choice of a credit card and what that means vis-à-vis rewards, fees and interest. We try to provide all of this information on our website for them to use. We also provide a comparison tool, which currently has 220 different credit cards that consumers can choose from.

To your point about behavioural finance, we've also run some behavioural finance experiments that are targeted at helping consumers pay down credit card debt. These provided additional information to consumers about credit cards and about the impact of not paying down their debt, and provided the types of information you were alluding to within the context of the intervention, which did indeed lead to a greater number of people paying down their debt and a fewer number of people increasing their debt during the 10-month period the intervention ran.

From a behavioural science perspective, would providing specific forms of information help consumers? Indeed it would help consumers. In terms of the legislation or regulation of that, again, we're not the policy lead. The Department of Finance would be able to comment on that.

[Translation]

The Chair: Thank you.

Mr. Masse, you have the floor.

[English]

Mr. Brian Masse: Thank you, Mr. Chair.

I support the FCAC and what it's doing. In fact, your work screams why we need to do more work to reach consumers and people. It's not the fault of the FCAC; it's the fault of the legislation and the way we approach engaging consumers about this issue. I want that to be clear. Your tools, when someone goes on your website and looks at them, if they can get to them, are quite useful. They're important. The problem is that we're not doing our job, in my opinion.

I'll go to Mr. White and to anybody else who wants to chime in. When you look at gaming addiction, for example, if you're gaming, a percentage has to go to handling addiction. Should we look at credit cards and other financial institutions like that and put some money aside in a separate entity, one that's independent and deals with that? That's not even the greatest suggestion, but it's one of the things we have to consider in how we deal with some of these things.

The hard case, really, is a political decision about restricting the percentages and the capabilities of debt financing to certain behaviours that are or are not allowed by the government. That's basically a political decision at the end of the day. It's the same with the regulation of interchange fees. That can be done tomorrow. You can walk down to the Minister of Finance's office and she can make the changes right now in regulation. A lot of things can be done.

What do we need to do, as something different and out of the box, to break the mould, if you believe in breaking the mould? Should people be allowed to have 20% to 30% to 40% in their borrowing practices, especially when we have a predatory market of upselling people all the time?

Mr. Geoff White: Thank you for the study, Mr. Masse.

It's like gaming. It's a necessity, but it's an addictive necessity, and that's the problem. You can provide pages upon pages of information to consumers, but if they're desperate, they will still take on debt.

Something that happens in Quebec now as part of the disclosure is that consumers are educated about how long it will take them to pay off their minimum payment. It's often a surprising amount, but when they're desperate, consumers are going to take the debt on.

None of the lenders appear to have a full picture of what the total debt load of the consumer is, and that goes to the notion that each issuing entity ought to know its client and whether or not an individual or household can sustain an additional level of debt. It's an interesting, novel idea that this should be funded.

I'm going to pass it over to Ms. Alshahwany, but the hard work you're alluding to is really the interest rates. It is telecom-like. There is work to do to have more competition, but right now the competition is all going upward and abusing consumers.

• (0925)

Ms. Aya Alshahwany: As we mentioned before, it would be quite helpful to consumers to have a one-stop shop. It may not always be clear to lawmakers, but consumers often don't know who is responsible for helping them, depending on the credit product they have. If their credit product is federally regulated, they have access to federal protections, but if it's not and they only have ac-

cess to provincial consumer protections, they are not necessarily credit card targeted or written with credit cards in mind.

Often, it's only when you have a problem that you realize you don't know where to go, or maybe you're being sent between different places. An out-of-the-box idea would be that if you have an issue with your credit card, there is one place to go to and one place that will answer your questions.

Mr. Brian Masse: Thank you, Mr. Chair.

The Chair: Thank you, Mr. Masse.

We'll now go to Mr. Perkins for five minutes.

Mr. Rick Perkins: Thank you, Mr. Chair.

My next round of questions will be for both the Financial Consumer Agency and the Public Interest Advocacy Centre.

You both mentioned that the increasing cost of living is driving people to finance day-to-day goods with credit cards, which is obviously a very worrying thing. If you have to buy food on a credit card, you're in a pretty stressful financial situation. The Parliamentary Budget Officer, just a moment ago, released an update to the cost of the carbon tax per household. He now says the average household across most income quintiles "will face a net cost when both fiscal and economic impacts of the federal fuel charge are considered." He's taking into consideration, when you read the report, the fancy carbon rebate that is offered.

For example, in Newfoundland and Labrador, he's estimating that the net cost for an individual will be \$713 more. In my province of Nova Scotia, per year, it will cost \$313. In Alberta, it will be \$725 more.

Can you comment on the impact this extra cost will have on food and the ability to heat homes? How is that driving people to use high-priced credit to pay their bills?

I'll start with the Public Interest Advocacy Centre.

Ms. Aya Alshahwany: The Public Interest Advocacy Centre doesn't look directly at the carbon tax, but we have seen that the rise in the cost of living—that includes groceries and rent—and the stagnant wages across Canada are affecting people's ability to finance their day-to-day life and take on more credit. We've seen reports and statistics, especially on gen Z and younger consumers, that show gen Z and other vulnerable groups are having trouble keeping up with their credit card bills and are therefore leaving a balance and taking on more interest.

We know that the rise in the cost of living is impacting Canadians, but the PIAC does not look specifically at the carbon tax.

Dr. Supriya Syal: Similar to the PIAC, we don't look specifically at the carbon tax. I will say we have a fair bit of data to support what you've noted, which is that fewer Canadians are keeping up with their financial commitments, more are borrowing for day-to-day expenses and many more are carrying an outstanding credit card balance. Fewer are paying down their credit cards in full. We also know from our data that Canadians who tend to carry a credit card balance also tend to carry other forms of debt, as our colleagues were alluding to.

We have this data, but beyond that, we're not able to speak to the carbon tax piece.

Mr. Rick Perkins: Since this is having such a massive economic impact, particularly with lower-income individuals having to rely on credit, and since the carbon tax is driving up the cost of their daily ability to live and sustain themselves when they're having to use high-priced credit, do you think for there to be transparency and disclosure, banking or credit card statements should also include a statement about the impact of increased carbon taxes on their purchases given what they're buying?

• (0930)

Dr. Supriya Syal: I'm not able to comment specifically on whether putting the carbon tax on that documentation would be helpful to consumers. Broadly defined, informing consumers and providing that information to them in the correct way when they're making decisions can help them make better decisions.

Mr. Rick Perkins: When the decision about the GST was made way back in the Mulroney years, a very specific public policy decision was made to make it visible so that consumers knew when they were paying it and when governments were jacking it up or dropping it. It was visible, so it would be difficult for a government to jack up the GST without consumers knowing about it.

The carbon tax is a hidden, buried and nefarious tax that consumers can't see, but it affects them every day. Should we not require it to be public? As the carbon tax rises to \$170 a tonne and goes to 61¢ a litre on gas, should we not require by law that it be publicly disclosed so consumers know what they're paying?

Dr. Supriya Syal: I hear you that consumers are facing a number of financial stresses, and I share the concern you're speaking about.

I'm unable to speak about whether the carbon tax is the—

Mr. Rick Perkins: Mr. White.

Mr. Geoff White: There are two real things that I think the industry committee should be focused on, and certainly disclosure of cost of living is important.

We talked a lot about telecom today. We do a lot of work in telecom. We've been doing it for decades, and there are similarities between telecom and banking. Both have high concentration and high prices compared to peer countries, with abusive sales practices and misleading sales practices. When you look at the tribunal that regulates them, you don't often see people who represent consumers or the individual—

Mr. Rick Perkins: That's fair enough, Mr. White, but my question was about the transparency of the carbon tax—

The Chair: Mr. Perkins, you're out of time. At the same time, I can understand that the witnesses don't necessarily have much to say about the price on pollution, because this study is on credit cards. I appreciate your attempt, but it's not exactly the study we're dealing with.

I'll now turn it over to MP Arya.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Mr. Chair.

Before I ask my questions, I want to comment on the last meeting, where a number of times witnesses said, "I don't understand the question. Can you repeat it?" It appeared the witnesses were very well trained by their lobbyists—probably former elected officials—in how to run out the time when inconvenient or uncomfortable questions were asked.

I'll turn to this panel.

The government recently said they had an agreement that reduced the weighted average interchange rate for small businesses with \$300,000 in sales. The weighted average interchange rate came down to 0.95%. However, these small businesses account, in my opinion, for just 20% to 30% of credit card sales in Canada.

To the Financial Consumer Agency of Canada, from your research on policies, do you agree when I say that for more than 70% of credit card sales in Canada, the weighted average interchange rate has been reduced from 1.4% to 1.35%, or maybe 1.4% to 1.3%? Is my analysis correct?

Dr. Supriya Syal: I'm not aware of the specific piece of information you're speaking about, so I can't comment on its accuracy.

Mr. Chandra Arya: I'm sure you do research whenever the government changes policies or announces a proposal to make a change in policies.

Ms. McWhinnie, do you have any information on what I said? I can repeat it. For 90% of businesses whose credit card sales are less than \$300,000, the interchange rate was reduced to 0.95%. However, these small businesses account for just 20% to 30% of total credit card sales, so for 70% to 75% of credit card sales, the interchange rate has barely moved down—maybe from 1.4% to 1.3%. Is my analysis correct?

• (0935)

Ms. Krista McWhinnie: We don't have expertise on the code—

Mr. Chandra Arya: I'm sorry. I have limited time.

Dr. Syal, can you look into this and get back to us, if possible?

Dr. Supriya Syal: Yes, we're happy to look up this information. We have not specifically done research on the interchange fees, but we can.

Mr. Chandra Arya: Okay. Thank you.

Ms. McWhinnie, you said that you deal with deceptive marketing practices. Since we started this study, we have been—at least I have been—flooded with emails from consumers saying how their rewards are being affected, asking for the fees to be reduced, etc. Canadians can obviously write to their MPs or to any MP with their views, but this is a form email. As I said, an email campaign has been launched by somebody.

While Canadians, or even Canadian businesses like banks and credit card companies, have every right to do their advocacy through an email campaign, in my view, the current email campaign is slightly misleading, but somebody is funding that. If somebody is funding a misleading email campaign, can that be considered a deceptive marketing practice or a deceptive advocacy practice?

Mr. Bradley Callaghan: Pardon me. I can speak to that one in terms of our deceptive marketing provisions. The provisions of the Competition Act on this topic really prohibit marketing and advertising that is false and misleading. As we've talked about—

Mr. Chandra Arya: Our focus here is not advertising.

Mr. Bradley Callaghan: That's an important distinction, I would submit. Again, that would really turn on the facts of the case as to whether it engages the sections of the Competition Act or not. What our deceptive marketing provisions really look at is marketing and advertising. I should say that I'm not an expert in or an enforcer of those aspects of our law. However, it would very likely be a factual determination and would depend on the evidence of the case as to whether it would amount to advertising or marketing.

The Chair: You still have a minute to continue, Mr. Arya.

Mr. Chandra Arya: Thank you.

Dr. Syal, you mentioned that the banks and credit card companies should have clear, simple and non-misleading statements.

A few months back, I acquired a new credit card, and then came the terms and conditions, a thick book. Obviously, I didn't read it. Do you think that consumers are being provided that in plain English rather than lawyer's English?

Dr. Supriya Syal: I'll note that one of the key.... We have six key priorities associated with the national financial literacy strategy. The first one is to communicate in ways people understand.

Mr. Chandra Arya: My question is this: Are the banks and credit card companies doing what you are saying they should do?

Dr. Supriya Syal: My colleague will chime in from a supervisory perspective.

Mr. Frank Lofranco: This speaks really to the market conduct provisions that banks, as issuers of credit cards, need to abide by. These are fairly recent. In 2022—

Mr. Chandra Arya: I mean no disrespect, and I don't want to interrupt you, but what they need to do is not my question. My question is whether they are doing it.

Mr. Frank Lofranco: Okay.

From our supervisory work.... As of 2022, there's an increased standard for disclosure, so with regard to things like application forms, agreements and bank statements, there are new requirements for communicating information in a way that's clear and not misleading. It does include something called an "information box" where the information has to be summarized.

I would say to you that, in the exercise of offering products and services like credit cards, there's also a provision in relation to offering those that are appropriate for the circumstance of an individual, so there's an increased responsibility on the institutions. Granted, this has been in effect for two years. We're of the view that there is work to be done but that institutions understand their obligations.

• (0940)

[*Translation*]

The Chair: Thank you.

Mr. Généreux, you have the floor for five minutes.

Mr. Bernard Généreux (Montmagny—L'Islet—Kamouraska—Rivière-du-Loup, CPC): Thank you, Mr. Chair.

Thank you to all the witnesses who are here.

Mr. White, you mentioned how Quebec had adopted broader literacy provisions, if I understood correctly. These provisions apparently keep Quebecers better informed.

What are they exactly?

Mr. Geoff White: Thank you for your question.

I'll give you two examples.

[*English*]

In example number one—I don't know if this has passed recently—it is proposed, at the very minimum, that a rule require the debt issuer not to issue inappropriate loans that exceed a certain debt-to-assets ratio. It's almost another level of credit check on the person you're giving the card to. If they don't meet a certain threshold, they can't get the debt, so they can't get themselves into trouble. That's point number one.

Example number two is a plain-language disclosure on how long the debt will remain if you only pay off your minimum payment. That's often a surprising amount. I mean, it goes on for decades if you only pay off your minimum amount on a huge amount.

[*Translation*]

Mr. Bernard Généreux: The Government of Quebec put that in place.

Mr. Geoff White: Yes, indeed.

Mr. Bernard Généreux: However, there is no bank in Quebec that corresponds to the Bank of Canada. Where did these new regulations come from?

Mr. Geoff White: It's in the Consumer Protection Act. We could send you more details.

Mr. Bernard Généreux: Yes, I'd like you to send us that information, so that the committee's analysts will have it.

Ms. McWhinnie, you said earlier that your organization, the Competition Bureau Canada, had information on the total costs associated with credit cards. I'm talking about all the layers of fees, if I can call them that, between buyer and seller. All the suppliers in the chain must be considered.

I'd like you to provide the committee with an example of this concept in the Canadian banking system.

In addition, I'd like to know if you've ever compared this kind of fee chain in Canada, if I may call it that, to what happens in other countries. If you have, can you send us your observations?

Ms. Krista McWhinnie: Thank you very much for the question.
[English]

On your first point, the analysis of the breakdown of fees that I was speaking about is contained in the decision of the Competition Tribunal based on the Visa and Mastercard case we brought. I'd be happy to provide that and point to the relevant sections.

In terms of your question on whether we've done a comparison of that fee breakdown across Canada and other countries, that's not something we've specifically studied.

[Translation]

Mr. Bernard Généreux: Perhaps the people from the Financial Consumer Agency of Canada can tell us where to find the information we would need to meaningfully compare the costs associated with these layers of fees in different countries. We know that interchange fees are about 1.5% in Canada, whereas in Australia, they are 0.5% under regulations the government put in place. An agreement has just been reached here, if I understand correctly.

I'm coming back to my colleague Ms. Rempel Garner's question. In the context of the agreement in question, we're talking about a 27% decrease in interchange fees. However, I have one concern. As we know, the final cost of making a credit card purchase includes several other components or layers of fees. I'm afraid that someone at another stage might increase their fees. Earlier, my colleague talked about Stripe. That's one example. It's like the plumber for this entire technology.

Ms. Syal, could these people increase their fees and keep the merchant from getting the 27% reduction at the end of the day?

[English]

Dr. Supriya Syal: Thank you for the question.

In terms of your first piece, about who can provide the various layers, we're happy to look into that and get back to you.

Whether this would lead to somebody else increasing their prices, I'm unable to comment. However, we will look into whether there is layering, as you noted.

• (0945)

[Translation]

Mr. Bernard Généreux: Ms. Alshahwany, you talked about open banking in Canada. I'm interested in that.

We know what it currently costs to make purchases using a credit card, because of interest charges. You say that "open" doesn't mean that people can do whatever they want and that there are no regulations. In fact, open banking will have to be regulated. I think everyone agrees on that. Other countries are already a step ahead of Canada in that respect.

Once the regulations are in place, do you think that consumers will benefit from using open banking services, which allow the consumer to deal directly with the merchant without necessarily having to use credit, and therefore be subject to very low or even no fees? Do you believe that, one day, new technologies like AI will make it possible to eliminate a whole series of fees related to purchasing goods and services?

Ms. Aya Alshahwany: Thank you for the question.

[English]

If it's okay, I'll respond in English.

Correct me if I'm wrong, but what you're asking is whether the new open banking services that are coming in are going to be generally good for consumers. We would have to wait and see. It would be great if they could increase competition. As we know, there's a high concentration between two credit card providers that have a little bit of a stronghold on consumers in Canada. It would be great to see more competition.

At the same time, from PIAC's perspective, we want to make sure the protections available to people who use the normal credit cards are available to the people who are going to be using these open banking systems. That includes keeping the consumer's liability rate in case of fraud, for example, at the minimum of \$50, which is what we see with Visa and Mastercard right now.

It's important to basically just wait and see and make sure the consumer regulations extend to those open banking services. It would be great to see more competition, obviously. Hopefully, if it could bring down the costs, that would be great for consumers.

[Translation]

Mr. Bernard Généreux: Thank you.

I'd like to quickly circle back to what my NDP colleague Mr. Masse said earlier. To do so, I will turn to the representatives of the Financial Consumer Agency of Canada.

We have to think about the most vulnerable people in our society who apply for a credit card and, when they get it, receive an information document about 10 pages long. In terms of literacy, let's be honest: Many of them will use their credit card without reading the document. I think you should play a much more direct role with those people. You should let them know what could happen to them if they don't use their credit card properly. I'm trying to say that you should use the plainest language possible with these individuals.

Very vulnerable people use credit cards without even knowing how they work in my riding too. There should be a more direct connection with that group of people. Various organizations in our ridings, such as the Maisons de la famille, could certainly help you pass on information. These organizations help these individuals cope with financial difficulties. You could certainly work with them.

You say that 650,000 people visit your website each year. I don't know if they only visited your website. In any case, as Mr. Masse said earlier, that's an extremely low number, considering that billions of credit card transactions take place each year. I think you would benefit from dealing with organizations on the ground that can at least help you foster financial literacy.

The Chair: Mr. Généreux, I think that was more of a comment than a question.

I actually gave you twice as much time.

● (0950)

Mr. Bernard Généreux: Thank you, Mr. Chair. You're very kind.

The Chair: Mr. Badawey, the floor is yours.

[English]

Mr. Vance Badawey (Niagara Centre, Lib.): Thank you, Mr. Chair.

My first question is for Mr. White.

The government recently introduced the revised code of conduct with respect to the payment card industry, which aims to protect more than one million businesses, small businesses in particular, when accepting credit and debit card payments.

Mr. White, the updated code, effective October 30, is expected to compare pricing from different payment processors more easily. The revisions will also shorten the complaint handling time from 100 days to 20 days. As well, starting October 19, reduced credit card transaction fees will take effect. The fee reductions have been negotiated with both Visa and Mastercard—I see you shaking your head, so you must know about this—and they are expected to save small businesses up to \$1 billion over the next five years, with fee cuts of up to 27%.

Can you comment on that, especially with respect to how it's going to help not only the consumer, ultimately, but also the small businesses that are paying those fees?

Mr. Geoff White: To the extent that you can reduce the fees that the merchants are paying, it's a win for consumers; there's no question about that. The animating concern of consumers right now is

the interest rates they're paying. I hate to sound like a broken record, but that really is our number one request.

Mr. Vance Badawey: On that note, what do you see as the current trends in credit card interest rates in Canada, and how do they compare internationally?

Mr. Geoff White: We haven't had the time, sir, to do the study on that. We can undertake that, though. The fact is that consumers are turning to borderline-criminal interest rate loans and “buy now, pay later” that have up to 30% APR, and—

Mr. Vance Badawey: Thank you, Mr. White.

On that issue, I want to pursue that with Ms. McWhinnie. Mr. Perkins was attempting to pursue it earlier.

I had a side conversation with Tony, who used to be in the business, and I asked him these simple questions: Why is that happening? Why are we seeing interest rates consistent through all the companies? It just seems very odd that your organization hasn't really gotten more granular on that. There has to be a reason. Business is business. You have your margins up above your expenses, and your net.... It just seems odd that everyone's the same. Business doesn't work that way. You have your ups and downs among businesses and between the expenditure levels that each business is undertaking within their business plans. It just seems very suspicious that the net among all these businesses is the same.

Therefore, my question for you is this: Have you—and if you haven't, why not—gotten a bit more into the weeds on that with respect to the consistency of that interest rate among all the different companies?

Ms. Krista McWhinnie: Within the law enforcement function that we have, as I was saying earlier, the questions that the act has us looking at are not whether prices are too high or whether they are consistent. We have to drill down on whether there is conduct that's prohibited by the Competition Act that's driving them higher than they otherwise would be. That could be an agreement among competitors. Certainly, if there was evidence of that, it would be something we would take extremely seriously. It can also be some other form of agreement or arrangement between competitors that falls short of a cartel. Again, that would be something we would look at under our law enforcement function.

It would really come down to the evidence and whether there is evidence suggesting that there is something going on, some kind of coordination among competitors, that falls within the conduct we're able to look at under the Competition Act.

Mr. Vance Badawey: With that said, are you bound—or I'll use the word “handcuffed”—under regulatory requirements to actually go that far?

Ms. Krista McWhinnie: There are two parts to what we do. Within the law enforcement function, yes, we need evidence of anti-competitive conduct to be able to move an investigation forward and then collect additional information to really find out what's going on.

Mr. Vance Badawey: Let's go down that rabbit hole. In follow-up to the tribunal, with respect to what they suggested in relation to issues related to credit card fees that should be addressed within a regulatory framework rather than through competition law alone, I'm wondering if you wish to comment on this. What exactly did the tribunal outline, and what expectations may you have with respect to those regulations?

• (0955)

Ms. Krista McWhinnie: The tribunal didn't provide, in the decision, very much detail in terms of what type of regulatory solution they would suggest. It was really just a comment that competition law would be a blunt instrument to try to deal with this type of problem because it's something that requires ongoing oversight. They viewed the problem as not well suited to a competition law remedy.

Mr. Vance Badawey: That could be a benefit to you. That can be a door wide open for you to actually suggest and/or to make a recommendation about what that law might suggest.

Ms. Krista McWhinnie: On the conduct at issue in that case, one of the main things we were challenging there was the no surcharge rule, because we view that as really taking away a very important competitive constraint that merchants have in negotiating these card acceptance fees. We understand that surcharging is now an option, following the class action lawsuit, I believe. My understanding is that it's quite recent, so I think it remains to be seen how the market evolves based on that now being allowed. That was a key thing we were seeking in our case.

Mr. Vance Badawey: Ms. Syal, I'm coming to you next, so if you can give some thought to some of these questions, that would be great.

The last question for you, Ms. McWhinnie, is this: What do you find from your analysis in terms of...? I'm sure this is a constant analysis that you're taking on within your organization. This goes to the analysts, because they're the ones we're speaking to here. They're the ones who are going to come back with the report and the possible recommendations that we're going to move forward with.

Besides the tools that you have available to you currently, what tools do you need to get that far and to then look at why this is happening with the consistency of those rates across the companies?

Ms. Krista McWhinnie: I was mentioning earlier that we have just received very significant, meaningful amendments to the Competition Act that really strengthen our ability to protect competition across all markets, including with respect to the issues we're looking at here. Our focus right now is on implementing those recent changes, so I don't think it's a question of additional tools.

Mr. Vance Badawey: Ms. Syal.

Dr. Supriya Syal: I'm going to turn to my colleague, Frank Lofranco.

Mr. Frank Lofranco: I appreciate the question. I think it's a useful question.

I would echo some of the sentiments I just heard from our colleagues in the Competition Bureau.

From a supervisory perspective, we are relatively well equipped to deal with consumer protections expressed in legislation, codes of conduct and public commitments.

There's always room for improvement, and those policy discussions and decisions rest with the Department of Finance. Obviously, we look to contribute in terms of insights we see on the ground or insights we generate from our research, but it really is a policy conversation. I would kindly ask that you engage our colleagues at the Department of Finance on potential improvements in this space.

Mr. Vance Badawey: Let's dig into that a bit deeper.

How would you assess the effectiveness of current federal regulations in governing credit card practices in Canada? Are there any gaps in the framework? You said you had the instruments, and that's great, but are there any gaps? Are there any gaps in the framework that need addressing?

Mr. Frank Lofranco: That's an interesting question. I would say, on two fronts, the enhanced standards under the financial consumer protection framework have been in place for two years, and we're about to receive a new code of conduct with respect to payment networks. I think it's early days, but those strengthened... We were very critical in bringing forward the recommendations to support those enhanced standards.

Around credit cards, it's disclosure, express consent and complaints handling by way of example.

With respect to the code, there's increased transparency for merchants. When they're securing a quote from a potential payment service provider, they're now entitled to understand the cost per transaction and the fees and so on.

Mr. Vance Badawey: That's a great point.

On that point, do you think the federal government can play a role in setting caps for credit card interest rates and fees? Should there be a uniform national standard for credit card issuers?

Mr. Frank Lofranco: I can only speak to the mandate of FCAC.

These are policy decisions that rest within the purview and carriage of the Department of Finance. I can share with you that through our research and our supervisory work, any insights we generate we do share to contribute, some of which come in the form of complaints. In the case of the code, we heard merchants complaining about fees and transparency—

• (1000)

Mr. Vance Badawey: —which we just dealt with.

Mr. Frank Lofranco: We have a role to play, but it would be unfair to speak to the policy considerations at play here.

Mr. Vance Badawey: Great.

Thank you to all.

[Translation]

The Chair: Thank you.

Mr. Garon, you have the floor.

Mr. Jean-Denis Garon: Thank you, Mr. Chair.

I must admit that things can get a little confusing sometimes. On the one hand, I heard Mr. Généreux tell us, with good reason, that bank and credit card statements must be simplified. On the other hand, I heard Mr. Perkins say that the solution is to add 10 pages of information on the carbon tax. I have a hard time understanding that. As I said, fortunately for Quebeckers, the carbon tax doesn't apply in Quebec.

I'd like to ask Mr. White some questions about what Quebec has done, what the provinces can do and what the federal government must do that the provinces can't do.

As I understand it, consumer protection legislation comes under provincial jurisdiction, as do credit contracts, since contracts fall under civil law. The same is true for the definition of "usury" in these contracts, as well as for deferred payment contracts, which let people buy something and pay for it later, for example. All of that falls under provincial jurisdiction, so Quebec has had free rein to protect consumers. There's also An Act respecting financial services cooperatives, which applies to Desjardins.

So Quebec has been able to make significant progress on all these regulations to protect consumers, but they also enable consumers to make better decisions and informed financial decisions in this market, which, let's face it, is complex for the average person.

Mr. White, what measures does the federal government have the power to take to protect consumers when it comes to personal finances and credit and enable them to make better financial decisions?

[English]

Mr. Geoff White: I suppose one of the reasons this is so tricky is that it is a shared jurisdictional subject matter.

Your Liberal colleague opposite, I believe, made two very concrete recommendations that I think should be pursued very seriously: limits on the amount of debt and more vigorous disclosure rules to ensure the issuing lender has a full picture of what the consumer has, in terms of debt. It's like a stress test, as they call it in banks. It's a stress test on a household to make sure they can pay it.

Then, look at it within the scope of federal regulations. You have a big opportunity to do something with federal regulations for banks. It remains to be seen how well provincial laws work, but we're looking to Quebec as an example of how the federal government can incorporate that at the federal level and bring those standards together into a harmonized system.

There's no reason why this should be happening. It's causing a lot of stress for Canadians.

[Translation]

Mr. Jean-Denis Garon: Thank you.

Do I have any time left, Mr. Chair?

The Chair: I'll give you a little time if you want, Mr. Garon.

Mr. Jean-Denis Garon: You're being fair. Thank you very much.

Mr. White, I'd like to come back to this federal-provincial issue.

We Quebeckers naturally tend to turn to our national government, the Government of Quebec, to ensure our protection. This is a normal reflex for Quebeckers. We are a nation, which the House of Commons recognized through a motion.

What happens in the other provinces? How is it that we have a dynamic in which Quebec is moving forward and taking advantage of everything that falls under provincial jurisdiction, but then we come to Ottawa and say that the federal government should indicate in its own regulations that the provinces can do that? What's happening in the other nine provinces? Are provincial governments asleep at the wheel when it comes to protecting consumers? Correct me if I'm wrong, but why do we always want to rely on the federal government when the provinces can also take decisive action?

[English]

Mr. Geoff White: I recognize Quebec as a distinct society. I live in Quebec.

There are two things this industry committee should do to alleviate the pain for Canadians. My group did a study a couple of years ago about how Canadians were sacrificing money for medicine and clothing so they could afford home Internet service. You could do something about the cost of telecommunication services and something about the cost of debt.

Those are our recommendations.

Thank you.

[Translation]

The Chair: Thank you very much, Mr. Garon.

Mr. Masse, you have the floor.

[English]

Mr. Brian Masse: Thank you, Mr. Chair.

I'll go back to the telecom comparison, which I think is quite relevant. Telcos now have to at least provide...when they're going to gouge you for roaming in the United States. I come from a border town. Even without leaving the country, we get roaming charges.

Would it be a similar strategy to at least advise consumers on their statements, if they're going to use a credit card or something like that, about hidden charges on the conversion of rates, which is often not well understood? Should we move to a similar mandated model? That's a weak suggestion, in my opinion, in terms of what I'm offering. I'm asking whether, at the very minimum, there should be an advisory recorded every time you purchase something foreign. We have transaction fees on our bill. If we do get them, they're hidden away.

Should we have better advocacy, in terms of people knowing this?

• (1005)

Mr. Geoff White: I went to law school in Windsor, so I know that phenomenon well, non-international roaming.

It's yes and no. Regarding disclosure, you can put cancerous hearts and lungs on cigarette packs, but people will still smoke. We alluded to debt being like gaming. It's addictive. It's a crutch. People can't afford their lives right now. It's because essential services like energy, telecom and fair credit.... The cost of all these things is going through the roof. You get issued a new credit card. That issuing agent is not telling you, "Well, let's look at all the other credit cards you have and do the monthly run, in terms of how that's going to catch up with you over time." That would be the type of disclosure that I think would really.... That would be the cancerous lung on the cigarette pack of the debt world.

I think it could shock people, but it doesn't fix the underlying issue of interest rates being borderline criminal.

Mr. Brian Masse: I appreciate that. That's my point too. We can tinker all we want with those things, but we need something bigger and bolder.

I'll turn quickly, with the last of my time, to the Competition Bureau. I did use your website to look at some of the credit cards and the rates. One interesting thing that pops up there is that 9.9% is the lowest you can get, but you have to pay \$400 in annual fee to get it. That basically takes away 95% of my constituents from that.

There are numbers that I get stuck on—12.99% and 20.9% and 19.9%. Is there anything you can do to...? It really is up to Parliament to decide how the Competition Bureau can do what it wants to do, and the tribunal and what it does. That's legislated by law. That's our responsibility, not the tribunal's and not the Competition Bureau's. But within that framework, when we have capsulized things that are consistent—it's the same as some other industries—is there not some value in there?

Lastly, how do you deal with all these other things—grocery card credits, Air Miles and so forth—that also make it difficult for people to move around in competition? If they are stuck within a system and they lose all those points, then that's a practice of abuse in many respects too, in the sense that it's the value.... Retailers, unlike the people we had in front of us, are actually often paying for those things that you get on the benefits of the card. But that's a side point.

How do you deal with that issue?

Ms. Krista McWhinnie: Thank you for the question. There are a lot of very good points in there.

On the rates, again, our focus under the act would be looking at any evidence or any allegations that those are higher or more consistent because there is anti-competitive behaviour going on or some kind of agreement between competitors.

On disclosure of information and what consumers are seeing, while a lot of that falls more specifically under consumer protection, we are very focused on ensuring that consumers can benefit from accurate information. My colleague spoke briefly about the false or misleading information provisions in the Competition Act. If there is any suggestion that consumers are being misled in their

decisions, that could be something we would look at as well under the act.

You bring up a very good point about the loyalty programs. That type of stickiness or barrier to switching is very much something that is relevant in a number of our investigations when we're trying to determine harm that might flow from bad conduct.

Mr. Bradley Callaghan: Perhaps I could pick up on the previous discussion about opportunities for price comparisons.

This is taking a step back, but we were discussing the potential of open banking earlier. It really has been touted as one of the potential opportunities if we can get open banking implemented in Canada. It is not only allowing customers easier switching. It is also allowing new competitors to come into the market to help them compare the other offers out there, see what the options are and then let competition work for them by easing switching.

[*Translation*]

The Chair: Thank you, Mr. Masse.

[*English*]

Finally, we have Mr. Patzer for five minutes.

• (1010)

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Mr. Chair.

Thank you to everybody for being here today.

Mr. White, I want to pick up on the theme of transparency you were getting at with Mr. Masse. I actually used to work for a telecommunications company. I can tell you about one of the most frustrating things for me in going to someone's house as a customer service technician. You know that the service you're installing is up to 10 megabits per second, but the customer asks why they're only getting five: "I bought 10 megabits, didn't I?" No, they didn't. They bought "up to" 10 megabits. The problem was that they were being sold something that wasn't true.

I know that my colleague Dan Mazier has brought in a bill to make sure that telecoms are providing all of the upfront information at the point of sale. That way the expectation for the customer is realistic.

I feel that we don't have that when it comes to credit cards. I'm wondering if you can talk a little bit more about how we could strengthen transparency around this to make sure that the consumer gets accurate information prior to getting their card. I want to qualify that by saying that I do think it's a little bit up to the consumer to do the research prior to that, but in the same breath, I do think there is an element that falls on the company.

Mr. Geoff White: That's fair. I'd love to talk about telecom for hours with you, but I'll ask my colleague to focus on the issue.

Ms. Aya Alshahwany: Yes. For public interest, obviously transparency is huge, especially for people who are vulnerable or may not have a lot of experience with credit products. Again, I'm thinking specifically of young people like myself, gen Zs, who are just coming into the credit market, learning about credit scores and learning about how all of these different things work.

Honestly, it could be as simple as this: If you are offered a credit increase by your credit card, there should be something explaining to you whether using a certain percentage of your credit limit is good or bad for your credit score and things like that, which are very tangible and in plain language. I know plain language was mentioned before. It can be just a broken down, very simple, "This is exactly what you're paying for in terms of credit card rewards programs." Those can be really confusing, because I could pay a higher fee, or I could potentially get better rewards, but I don't know for sure if I'm going to get those rewards, or how I'm going to use them, or if the cost to redeem some of the rewards is going to go up and the points are going to be tripled by the time I come to redeem them.

So, yes, absolutely, transparency is very important for public interest and consumers. It can be very simple, and it can be simplified and easily implemented by banks if they wanted to, or if they were compelled to.

Mr. Jeremy Patzer: Okay, on being compelled to, do you think there should be a legislative framework mandating more transparency?

Ms. Aya Alshahwany: I don't know if I can directly speak to that—maybe Geoff can—but yes, in certain ways. Every province has its consumer protection and disclosure legislation that talks about that, because this is governed by the private law of contracts.

What I would say is that if there is a best practice that is found in a province, it would be great if that became the standard across the country, or a knowledge-sharing, best practice-sharing tradition that is developed or a habit that's developed between the provinces, so that the best disclosure should become the floor, essentially, for consumers.

Mr. Jeremy Patzer: Yes. Right on.

This is for the Competition Bureau.

Again, just looking at where interest rates have been, the best way for somebody to get into a market.... I'm from Saskatchewan, so I'm using a telecommunications model. SaskTel basically had a monopoly on telecommunications. When it was opened up and Bell, Rogers, Telus and others came in, they came in at a lower rate to try to incentivize people to switch from SaskTel to them. They did that with pricing. We're not seeing that in credit cards. Would it not make sense?

You go back to the 1980s, and credit cards have all kind of maintained the status quo. It was only a 2.25% margin between lending rates and interest rates on credit cards. Right now it's about 15%, the gap in that. If we're talking about price-fixing, we have to go back to the 1980s to look at this. Would you not agree?

Ms. Krista McWhinnie: What I would say, again, is that if there was any evidence of price-fixing or other agreements between competitors that was driving that higher, that would be exactly within

the scope of what we could look at under the act and something that we would take very seriously.

Mr. Jeremy Patzer: I just think it's odd that nobody has bothered to try to really grab onto the market by bringing in lower rates. I know they offer super-low interest cards, but quite often your credit limit is only \$1,000, whereas if you get these 20% cards, all of a sudden, \$30,000 is your credit limit.

• (1015)

Ms. Krista McWhinnie: Yes. I think one thing that's important is that, at the credit card network level, and I mentioned it briefly before, there are high barriers to entry. You're right that usually high prices would incentivize entry, but there is a real chicken-and-egg network effects issue at play, where you need to already know that there are a lot of issuers and consumers ready to use your card to convince merchants to take it. Likewise, merchants want to know that you already have a lot of consumers and issuers on hand ready to use the card. Those network effects, that chicken-and-egg issue, are quite a meaningful barrier to entry, I think.

Mr. Jeremy Patzer: The other thing I found interesting in some research here was that, generally—I've actually experienced this in my own personal life—if you do get a loan at prime plus 1%, or whatever it might be, the demands on collateral, on your assets, are quite high to try to back up that loan, but when you look at getting a 20% credit card, they're all too happy to just shuffle you that super-high interest card that they know they can really get you with. When you look at what the difference between credit card revenue and mortgage revenue is for the banks, it's almost on par. Is that not alarming?

Ms. Krista McWhinnie: As a Canadian, I can see the alarm. It's not directly within the scope of the Competition Bureau. If there was something kind of misleading driving that, that might be something we could look at, but I think questions about whether consumers are able to take on more debt than they should are more appropriate for financial regulators.

Mr. Jeremy Patzer: As the regulating body, do you not see that—

The Chair: Mr. Patzer, I'm afraid you're well over your time.

[*Translation*]

Mr. Génereux, I believe you have a point of order.

Mr. Bernard Génereux: Yes, thank you. I would just like to correct my colleague Mr. Garon.

My colleague Mr. Perkins and I did not contradict each other. I was talking about the information people get when they receive a new credit card, not the record of transactions done with the card.

I'd also like to mention that the motion the House passed to recognize the Quebec nation was moved by a Conservative prime minister, Stephen Harper. My colleague should be very proud of that and thank us for it.

The Chair: Thank you, Mr. Généreux.

I know we're coming to the end of the meeting and I clearly didn't manage the time very well, but, if I may, I'll take a brief moment to ask a question.

[*English*]

I have a question for the Public Interest Advocacy Centre.

We on this committee had a study on blockchain. We heard from various groups that described to us how new technologies like blockchain and crypto could bypass the legacy financial system in many countries for a fraction of the cost, exchanging value, exchanging stablecoins, for instance. Do you have any thoughts on what this could mean?

BlackRock just released a document saying that the adoption rate around the world for digital assets was about 8%, which is right at the beginning of the S-curve normally. Do you have any thoughts on how this could impact the legacy financial sector?

Ms. Aya Alshahwany: I don't have any research off the top of my head right now about blockchain and how that affects con-

sumers. I think PIAC's position is always that the most stringent protections should be in place for consumers, especially for things like blockchain, where, as we've seen in some high-profile cases, it's not always certain that you will get a return on your investment. So, for that, we would just say that it has to be very well in place that the consumer liability is going to be limited and that someone will have their back if something goes wrong with those things.

Mr. Geoff White: I would caution this committee not to rely on the promise of open banking and blockchain to solve the debt crisis in Canada.

The Chair: I was referring to it more as a payment mechanism than as an investment opportunity, and stablecoins are not an investment per se.

Mr. Geoff White: Understood.

The Chair: Thank you very much.

Thank you, all, for your time and your participation here at this committee.

There's one last thing, colleagues. When we come back from the constituency week, we'll be pursuing this study. We still have at least two meetings on this.

Thank you very much. The meeting is adjourned.

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